

# Agency Strategic Plan

## Department of Accounts

### Department of Accounts

### Agency Mission, Vision and Values

#### **Mission Statement:**

Provide a uniform system of accounting, financial reporting, and internal control adequate to protect and account for the Commonwealth's financial resources while supporting and enhancing the recognition of Virginia as the best managed state in the nation.

#### **Agency Vision:**

To be nationally recognized for accounting and financial reporting excellence to enhance the reputation of Virginia as the best managed state in the union; to showcase DOA employees as statewide and national leaders in the financial accounting and reporting arena; maintain financial accounting, payroll, and fixed asset systems that support the needs of the Commonwealth; and to treat employees and customers with fairness and respect.

#### **Agency Values:**

- **Accountability**  
Accept accountability for our actions and dedicate our efforts toward earning the respect, trust, and confidence of elected and appointed officials, those with whom we work, and the public.
- **Performance**  
Strive to provide performance and counsel of the highest quality.
- **Integrity**  
Exhibit integrity by maintaining the highest ethical standards and conducting our business accordingly. Maintain and promote nonpartisanship in our professional dealings. Abide by Virginia's Standards of Conduct for Employees and related regulations. Avoid conflicts of interest between our personal and professional roles. Never use public resources for personal gain. Do not knowingly sign, subscribe to, or permit issuance of any information that contains a misstatement or omission of a material fact.
- **Stewardship**  
Dedicate our efforts toward earning the respect, trust, and confidence of elected and appointed officials, those with whom we work, and the public.
- **Nonpartisanship**  
Maintain and promote nonpartisanship in our professional dealings.
- **Standards of Conduct**  
Abide by Virginia's Standards of Conduct for Employees and related regulations.
- **Conflict of Interest**  
Avoid conflicts of interest between ourselves and our professional roles.
- **Public Resources**  
Avoid using public resources for personal gain.
- **Misstatements of Facts**  
Do not knowingly sign, subscribe to, or permit issuance of any information that contains a misstatement or omission of a material fact.
- **Illegal Activities**  
Do not knowingly conduct or condone any illegal or improper activity.

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- **Professionalism**  
Conduct ourselves in a professional manner while applying knowledge, skills and abilities producing work of the highest quality.
- **Conformance**  
Provide all reports and information in conformance with applicable laws, regulations and professional standards.
- **Enhancing Professional Knowledge**  
Strive for professional excellence by maintaining and enhancing professional knowledge, skills, and abilities for ourselves and our colleagues.
- **Innovation and Creativity**  
Meeting and legal requirements imposed by state and federal laws while maintaining our innovative and creative abilities leading towards better work products or processes.
- **Respect**  
Treat all persons in an even handed, respectful, and courteous manner.

## Agency Executive Progress Report

### Current Service Performance

DOA is committed to excellence in all service areas. The major service areas within DOA include:

General Accounting  
Payroll Operations and Charge Card Administration  
Financial Reporting  
Administration  
Systems Development  
Systems Maintenance  
Computer Operations  
Payroll Service Bureau

A description of the services provided by each of these service areas follows.

#### General Accounting

The Department of Accounts (DOA) maintains the official accounts for the Commonwealth in the Commonwealth Accounting and Reporting System (CARS). Deposit and disbursement transactions are entered by agencies on-line during the workday and computer edited against authorized spending levels in nightly batch runs. A daily reconciliation of the state's cash position in the books of the Comptroller to the books of the State Treasurer is performed. Various accounting reports are generated for use by agency and DOA staff to reconcile the accounts each day and identify and resolve any discrepancies that are identified. All disbursements of public funds must be processed through CARS. This service area also includes management of the state-aid-intercept program.

#### Appropriation Control

This service area involves the internal control procedures used by state government to enforce compliance with appropriation law. Following enactment of the Appropriation Act, two agencies become responsible for ensuring that appropriation law is followed. DPB authorizes the expenditure of appropriated funds through the allotment process, while DOA enforces this authorization through

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the automated edits and manual procedures that support the general ledger. This service area includes the preparation of year-end reconciliations that account for all expenditures as authorized in the Appropriation Act.

### **Support Locality Revenue Deposits**

DOA has general oversight for deposit reconciliation for all sources of state revenue. However, a separate service involves the processing of deposits from local governments and the court system. Given the many different administrative environments found among local governments and the various state courts, DOA has assumed a higher level of processing responsibility for these deposits. Each month DOA handles an average of 33,000 local deposit certificates that account for between \$55 million and \$70 million in state receipts. Following a decentralization initiative begun in early 2003, entry of these deposit transactions into the central accounting system is largely executed by localities. A related responsibility is the monthly summarization and certification of recordation taxes, a portion of which are ultimately due to localities. This service also includes procedures for refunding forfeited bail bonds as ordered by a court.

### **Interest Calculation**

Virginia statutory and appropriation law frequently allocates interest income earned by the Treasurer to specific non-general funds. This requires detailed calculations and record keeping necessary to allocate interest and demonstrate compliance with the related legal provisions.

### **Debt Setoff Program**

Section 2.2-4806 of the Code authorizes the recovery of overdue debts owed the Commonwealth from suppliers for amounts to be paid for procured goods and services. This is a debt setoff program similar to that used by Tax to recover debts from state tax refunds. Since its inception in 1991 through FY 2002 this program has recovered in excess of \$47.8 million in overdue debts owed the Commonwealth.

### **Loan, Line of Credit and Grant Coordination**

The Appropriation Act provides for intra-governmental loans and lines of credit from the Treasury to support state programs that are anticipating non-general funds from federal grants and contracts, bond sales, and similar situations. The Comptroller's office is responsible for development of procedures for agencies to follow in applying and justifying such requests. DOA must administer these financial transactions including interest calculation, timing of repayment, and proper accounting and reporting. This service includes the processing of state grants to non-state agencies as authorized by the Appropriation Act and regulated by DPB.

### **Financial Electronic Data Interchange (FEDI)**

FEDI increases administrative efficiency and reduces costs through the replacement of check payments with automated transactions. The program was implemented in 1994. The Commonwealth has over eleven thousand trading partners accepting electronic payments including vendors, localities, state agencies/employees and grant recipients.

### **Revenue Report**

A report is prepared monthly to report General Fund and Lottery revenue collections tracked against the latest official revenue forecast. Comparative data on the various revenue sources are provided reflecting actual revenues collected for the month and year-to-date compared to collections for the

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same period in the previous fiscal year. The percentage change in revenues for the month and year-to-date are also compared to the percentage change required by the revenue estimate.

### **Distributions to Local Governments**

The State Comptroller is mandated by law to distribute certain funds to local governments. Such distributions include funds allocated to localities pursuant to the sales and use tax based upon school age population, a percentage of ABC profits based on total population, and recordation tax for which the total distribution is fixed but each locality's share is based upon their collections compared to total collections.

### **Personal Property Tax Relief Act (PPTRA)**

DOA disburses funds to local governments pursuant to the Personal Property Tax Relief Act.

### **Agency Accounting/Internal Control Oversight**

As the Commonwealth's central accounting agency, DOA develops and promulgates accounting and internal control policies and procedures. In this role, DOA oversees each agency fiscal office in the Commonwealth. These responsibilities include publication of the Commonwealth Accounting Policies and Procedures Manual, preparation and publication of year-end closing procedures, development of agency fiscal officer training, conducting quality control analytical procedures, and development of an agency risk management and internal control standards including best practices for internal control policies and procedures for state agencies.

### **Disbursements Review**

This service involves the promulgation and interpretation of policies, procedures and controls governing the disbursement of public funds, and the review of transactions prior to payment to ensure that policies and controls are being enforced by agency fiscal personnel. Disbursements review responsibility prior to payment has been largely delegated to individual agencies. Agency performance is monitored through periodic post-disbursement reviews and reported to the Governor and Cabinet. Several agencies are still required to submit documents to DOA for review to support all disbursements prior to payment. These agencies have either not demonstrated the capability to manage a delegated program or are small agencies for which the cost of delegation is greater than the efficiency benefits to be gained. A few agencies, primarily those that support elected officials, are considered too sensitive to delegate.

### **Division of the State Internal Auditor**

This service area also includes the Division of the State Internal Auditor who provides an effective and efficient method for state employees to report fraud, waste, and abuse through the administration of the State Employee Fraud, Waste, and Abuse Hotline. DOA also assists in the establishment, development, and maintenance of agency Internal Audit Programs through training and technical assistance.

### **Payroll Operations and Charge Card Programs**

The State Payroll Operations service area administers the central payroll system (CIPPS) and ensures and facilitates the calculation of payroll and benefits for state employees by agency payroll personnel. Most state employees are served by CIPPS, although the largest state-supported colleges and universities operate independent payroll systems. In addition to payroll related services, this unit is

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responsible for the state's charge card services (both purchasing and travel), compliance monitoring and reporting.

Agencies may calculate several payrolls on a weekly, biweekly, semimonthly or monthly basis or "as needed" to cover special situations and demands. About 1,300 payroll staff at over 200 agencies and institutions are granted secure access to the central payroll system. The distribution of pay is either by direct deposit (about 90% of all salaried employees) or by payroll check.

Employers are subject to severe financial penalties for inaccurate reporting of federal tax withholding. DOA deposits about \$195 million each quarter on behalf of over 200 state agency employers. This activity includes the administration of the Federal Automated Deposit program (FAD), preparation and electronic filing of quarterly withholding reports (IRS Form 941), preparation of year end filings for over 120,000 W-2 forms, electronic reporting to the IRS and the Social Security Administration, and preparation and filing of adjusted forms as needed (Forms 941C, W-2C, and W-3C).

Accounting and disbursements processing for benefits covers the deduction, reconciliation, disbursement and accounting for all amounts deducted from employee pay for both state benefit and supplemental deduction programs. The major benefit deductions include health care, Section 125 flexible spending accounts, and the Section 457 deferred compensation program. This service also includes the transmission of data to the VRS for retirement service credit recording, as well as the accounting of funds for employees who are eligible and have elected to participate in one of the three optional retirement programs offered in place of VRS. All deducted amounts are reconciled before the funds are disbursed to the appropriate receiving party. Deductions for other purposes are also supported including, CVC (charitable foundation contributions), U.S. Savings Bond purchases, child support orders, garnishment fees, dues for employee associations and premiums for supplemental insurance coverage and tax-deferred annuities.

The Small Purchase Charge Card Program (SPCC) was initiated in order to reduce the volume and cost of accounts payable transactions. The program was implemented in January 1, 1995 and offers state agencies and institutions an alternative payment method when making small purchases under \$5,000. A "gold card" program also enables certain types of purchases to be charged up to \$50,000. In 2005, over \$220 million was purchased under this program and the Commonwealth received over \$1.5 million in rebates from the charge card vendor. The program is currently being converted to a new Mastercard platform.

The travel charge card program is used by individuals who travel overnight more than two times a year to pay for official state travel expenses. Employees request and receive reimbursement for travel expenses as they complete travel, but must pay their travel charge card bills monthly. In 2005, 6,300 travel charge cards are in use.

This service area is responsible for the Report On Statewide Financial Management and Compliance. Each quarter DOA provides the Governor, Cabinet and Agency Heads with a comprehensive report on various measures used to monitor the degree to which agencies have complied with various accounting and financial management policies, procedures and standards of performance.

#### **Financial Reporting**

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The Virginia Constitution requires that accounts be maintained and reported based on when cash is received and paid out. This service area involves ongoing reporting of cash activity in the state accounts throughout the year. DOA reports cash activity in state accounts throughout the year for the Governor, Secretary of Finance and General Assembly include the monthly report on the cash position of the Commonwealth. A general fund preliminary annual report is prepared by August 15 as required by law.

This service area produces the Comprehensive Annual Financial Report (CAFR) of the Commonwealth, which is audited by the Auditor of Public Accounts. Generally accepted accounting principals (GAAP) are promulgated by the Governmental Accounting Standards Board (GASB) and include the recognition of accrued assets and liabilities along with other non-cash accounting requirements. Planning, information gathering, and preparation of this report take approximately 6 1/2 months. In order to obtain all of the financial information necessary to prepare the CAFR, DOA issues the State Agency, Higher Education, and Component Unit Financial Statement Directives. These Directives provide guidance and assistance to State Agencies, Institutions of Higher Education, and Component units on the GAAP presentation of financial statement information.

This service area summarizes and simplifies the presentation of information contained in the Commonwealth's Comprehensive Annual Financial Report in a report often referred to as the "popular report." This report is intended to better inform the public about the Commonwealth's financial condition without excessive detail or the use of technical accounting terms. This service area also produces the Schedule of Expenditures of Federal Awards for inclusion in the Statewide Single Audit Report. The schedule is prepared in accordance with the requirements of OMB Federal Circular A-133.

The Code of Virginia (§2.2-4801 et seq., the Virginia Debt Collection Act) assigns DOA the responsibility to provide oversight reporting, and monitoring for the procedures used by state agencies to collect accounts receivable. Data on accounts receivable balances are compiled quarterly. These data are also used for the Comprehensive Annual Financial Report of the Commonwealth (CAFR) and the Report to the Citizens of the Commonwealth (PAFR).

This service area prepares two indirect cost allocation plans. The first is prepared in accordance with OMB Circular A-87 and is used by agencies entitled to recover indirect costs from federal grants and contracts. The plan is audited and approved by the federal government on behalf of the Commonwealth and recovered over \$190 million from federal sources in FY 2004. In addition, a second "full costing" plan is developed for DPB that supports the recovery of indirect costs borne by the General Fund on behalf of non-general funded agencies and programs. The Appropriation Act is used to recover these costs for the General Fund. In FY 2004, \$7.5 million was recovered for the General Fund through this program.

This service area accounts for all major land, building and equipment assets of the Commonwealth. Also included is the accounting for certain capital leases, which are reflected as assets in the Commonwealth financial statements. Typically about 40,000 fixed asset transactions are processed annually.

Administrative Services

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DOA's administrative services section provide payroll, invoice processing/accounts payable and accounting reconciliation services in support of the Departments of Accounts, Treasury, and Planning and Budget. DOA staff provides accounts payable services to the State Council of Higher Education in Virginia, the Commonwealth Health Research Board & the Virginia Racing Commission.

DOA was among the first agencies to adopt an administrative service bureau that supports the routine technical aspects of administrative operations for more than one agency. To accomplish this, the DOA administrative services staff adopted a customer oriented approach to their work which emphasized quality attention to service needs regardless of whether the service was for DOA or another supported agency.

In order to provide uniform accounting procedures for state government, DOA publishes the Commonwealth Accounting Policies and Procedures Manual (CAPP). The CAPP is a four volume set of prescribed accounting practices which is used by all agencies of state government. A publications unit manages the frequent revisions to the CAPP which are required by changes in state or federal law, generally accepted accounting principals, or administrative policy. Starting in FY 2003, the CAPP manual is no longer printed, but is still updated regularly and posted on the internet.

This service area also publishes other documents, such as the Quarterly Report, that require high quality finishing and numerous copies to be distributed. In addition to printed items, the publishing unit utilizes the DOA Web Page as a means of making DOA publications electronically accessible. This technique significantly reduces the production and distribution costs for DOA, particularly for very lengthy publications such as the Comprehensive Annual Financial Report (CAFR).

This service area also manages the process of Line of Duty claims for the Commonwealth. DOA is responsible for making lump sum payments to the beneficiaries of certain public safety personnel (e.g., police, fire, rescue) who die from work-related causes and an increasing number of monthly payments for health insurance for disabled public safety personnel injured in the line of duty and their spouses and dependents.

Code § 2.2-814 requires the Comptroller be served for claims against the Commonwealth whenever the specific responsible state official cannot be determined.

DOA's public records unit is the official repository for all documents pertaining to cash deposit and disbursement transactions, unless that responsibility has been delegated by the Comptroller pursuant to the decentralization initiative described earlier. The public records unit has been steadily reducing in size as decentralization moved forward. However, a residual responsibility will remain for the storage of records pertaining to non-decentralized agencies, including those of elected officials, and for the records generated by DOA's own central processing activity.

### **Payroll Service Bureau**

DOA operates a payroll service bureau that supports agency level payroll, leave, and certain human resource and benefit data entry activities for over 6,000 employees in 37 agencies. In addition to performing the processing responsibilities for payroll, leave accounting and benefit administration, the Payroll Service Bureau also prepares payroll related reconciliations such the monthly Healthcare reconciliation, the VRS reconciliation of retirement benefits, the administration of reciprocal taxing for

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non-Virginia state employees, the Quarterly and Annual Certifications of Taxable Wages and the Leave Liability Attachment to satisfy the financial reporting directive issued by DOA.

To support certain Human Resource policies relevant to payroll, the Bureau prepares and enters the monthly Employee Position Report (EPR) information and maintains the 1,500 Hour Wage Reporting for the participating agencies' wage employee rolls. It also prepares responses for any CIPPS/PMIS Exceptions that occur as a result of differences detected between PMIS and CIPPS.

### **Systems Development, Maintenance, and Computer Operations**

DOA management recognizes the increasing value of information generation as a service. Integration between systems continues to increase, particularly between mainframe and desktop processing environments. This functional activity supports the operation of the statewide general ledger system (CARS), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS), as well as other related statewide financial information systems.

This area includes the ongoing planning needs to promote the coordinated development and integration of hardware, database systems, application programs, and communications within DOA and between DOA and its customers. All planning is done in conformance with the guidelines of the Virginia Information Technology Agency (VITA). Weekly management status meetings and the annual update to the agency information technology plan are used to support this activity.

### **Productivity**

The Department of Accounts (DOA) and the Office of the State Comptroller have been in existence since 1928. At its peak in the early 1990's, DOA employed just fewer than 200 staff and had an operating budget of \$13.3 million. DOA currently has 97 FTE and an operating budget of \$8.5 million for FY2006. In spite of the reduction in staff and budget DOA's productivity is impressive.

CARS - The Commonwealth Accounting and Reporting System (general ledger system) processes in excess of nine million transactions annually.

FAACS - The Fixed Asset Accounting Control System processes approximately 40,000 transactions annually.

CIPPS - The Central Payroll System supports payments to an average of 87,000 employees each month and 120,000 employees throughout the year. Payline was implemented in July of 2001 - this is a web based system allows employees to access pay information online. As of June, 2005 27% of state employees participated in Payline. In addition, 11,800 Payline participants have elected to eliminate the printed earnings notice.

In 1995, DOA implemented the use of a purchase card program providing statewide enhanced efficiencies through the consolidation of vendor payments and the reduction in associated costs. The program has grown from \$31 million in FY97 (158,000 checks avoided) to over \$221 million in FY05 (over 500,000 checks were avoided).

The payroll service bureau serves 37 agencies and produced over 6,000 w-2's for calendar year 2004.



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The administrative service bureau processed 3,400 vouchers in FY 2005. This is an increase of 22% over the number of vouchers processed in FY 2003.

Despite the loss of positions from the early 1990's to the present (200 staff to 97 in FY 2006) DOA continues to satisfy mandated State & federal mandates. These include:

### **Cash Management Improvement Act (CMIA) of 1990**

This federal law was imposed to bring equity to intergovernmental cash flows by establishing federal/state agreements regulating interest payment responsibilities. The movement of federal aid payments to the states results in “interest float” benefit to a state. Virginia must conduct detailed analyses to minimize the interest liability owed to the federal government each year.

### **Indirect Cost**

The Appropriation Act, §4-2.03, requires that DOA develop procedures for a federal Statewide Indirect Cost Allocation Plan (SICAP) which is used to recover allowable indirect and overhead costs for agencies receiving federal grants and contracts. This plan must be developed and audited by the federal government before indirect costs can be recovered. Approval of the plan also allows the purchase of goods and services with federal grant funds from activities accounted for in the Commonwealth’s Internal Service Funds. The process of developing the federal SICAP, along with the companion “full costing” SICAP for general fund recoveries from non-general funded agencies and programs, requires a considerable commitment of resources.

### **Statewide Single Audit Report**

OMB Circular A-133, “Audits of States, Local governments and Non-Profit Organizations” was revised in June 1997. This revision requires that the auditee prepare the “Schedule of Resolution of Prior Year Audit Findings” and the “Schedule of Expenditures of Federal Awards” sections of the Statewide Single Audit Report. The Department of Accounts prepares these statements for the Commonwealth as a whole, in the role of auditee.

### **State Payroll Operations and Charge Card Administration**

Internal Revenue Service regulations dictate tax withholding requirements associated with wage payments and benefits. Compliance with these regulations is required by central and agency users in order to avoid payroll and tax errors that could result in significant IRS penalties. DOA administers the deposit and reporting of payroll taxes on behalf of over 200 state agencies.

### **Financial Reporting**

This mandate is unusual in that a nonprofit corporation, the Governmental Accounting Standards Board (GASB) promulgates it, rather than a government. GASB is the public sector counterpart to the Financial Accounting Standards Board (FASB) which establishes generally accepted accounting principals for private sector entities. Virginia must comply with GASB standards in order to obtain an unqualified opinion on its audited financial statements. There are presently 47 GASB statements in effect. Complying with GASB standards is complex and resource intensive. However, the benefit of unqualified audit opinions and the Certificate of Excellence in Financial Reporting to the Commonwealth’s bond ratings and general standing in the national financial community is worth the investment.

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Finally, DOA is responsible under the Appropriation Act for distributing approximately \$845 million to local governments each year as part of the administration of various shared-tax programs provided for in law. This program, referred to in the Appropriation Act as financial assistance to localities, is considered by DOA to be a functional activity.

### **Major Initiatives and Related Progress**

#### **Strengthen Oversight and Improve Agency Internal Controls**

This initiative is intended to strengthen oversight, monitoring and training governing agency accounting practices and internal controls over financial reporting. DOA will more actively reach-out to agencies to evaluate current agency practices against best practices, provide targeted training in complex accounting and financial reporting areas, and recommend and monitor corrective action plans. This task also addresses an APA audit finding in the DOA audit. DOA also plans to evaluate and enhance agency internal control guidance to include tools that will help agencies conduct currently required agency internal control assessments.

- Financial Reporting QA Reviews -This initiative is intended to improve financial reporting throughout agency fiscal operations. The initiative will continue to provide a DOA presence in the agency fiscal operations and concentrate on problem reporting areas for FY2005.
- General Accounting QA Reviews - This initiative deepens the review of agency general ledger account activity and reconciliation procedures.
- Fiscal Officer Training - Continue with the Agency Fiscal Officer Training Program aimed specifically at agency fiscal officers. In the later part of FY 2005 and early part of FY 2006 DOA will complete mandatory training for all agency fiscal officers. DOA plans to develop a web based version of this training to be made available to all agency fiscal personnel.
- Enhance decentralized reviews - to encompass reconciliation procedures, agency-fleet compliance, agency systems inventory, and SPCC compliance.
- Faster Directives - Financial reporting produced the Comptrollers Financial Reporting Directives one month earlier than in previous years. This will allow agencies and institutions more time to comply with the directives.
- Faster CAFR Feasibility Study - This initiative will determine whether Virginia should invest the resources necessary to complete the Comprehensive Annual Financial Report (CAFR) within 120 days of fiscal year end. This study is being considered because outside authorities such as GASB & the bond ratings agencies have proposed the need to issue financial statements quicker. This study will determine if Virginia can produce the CAFR quicker with existing systems.
- DOA developed and issued an RFP entitled Cost Recovery Audit. The contract for this service was signed at the beginning of July and the implementation of this review has begun. It is anticipated that this review will be completed within 9 months. This contract includes a review of statewide payments made in FY2002 - FY2004. DOA anticipates that in addition to the identification of erroneous and duplicate payments, this review will also point out areas where statewide internal controls or statewide policies may be changed to be more effective.

#### **Governmental Accounting Standards Board statement 45**

Other Post Employment Benefits (OPEB) - This initiative requires the actuarial analysis of various OPEB's. Studies currently anticipated include retiree healthcare and Line of Duty benefits paid to law enforcement personnel after they retire from state service. It is anticipated that this analysis will be completed in FY 2006.

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- Enterprise Risk Management - DOA has made significant progress towards development of a comprehensive Enterprise Risk Management directive providing state agencies with tools and information regarding overall risk management including adequate management of internal controls.
- PPEA ERP - DOA has invested significant resources as project team and steering committee members of the PPEA Enterprise Resource Planning proposals. In conjunction with two consulting firms, the Commonwealth embarked on an ambitious comprehensive study of the Commonwealth's business processes at the enterprise level. The review will result in the consulting firms presenting detailed proposals for the re-solutioning of certain business processes cited in the study. The project team will perform detailed reviews and analysis of the proposals which may result in the signing of a comprehensive agreement. This agreement may result in the significant modification and or replacement of many of the Commonwealth's financial systems with an Enterprise Resource Planning application as well as the modification of the Commonwealth's business flow processes. The State Comptroller's office will be directly involved in all stages of this process.
- PPEA Infrastructure - finance - The Virginia Information Technologies Agency (VITA) received four unsolicited proposals, summarized below. The proposals were submitted in compliance with the Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA), as amended, and the Model Procedures published by the Secretary of Administration. Two of the proposals warranted further evaluation which may result in the negotiation of a comprehensive agreement with the individual partners based on their proposals.

### **Key Systems Development Efforts**

Focus systems development efforts on key initiatives.

- FINDS Web Upgrade - this project will provide a replacement of the current data downloading system -FINDS. The system will be Web-enabled and allow agencies to download CIPPS data for viewing, printing, and/or file transfers. CIPPS data will be available to agencies for downloading directly to their desktop applications immediately following each night's payroll processing.

A similar project will provide for data access to CARS data. This will be a Web enabled application that allows agencies to download CARS data for viewing, printing, and/or file transfers. CARS data will be available to agencies for downloading directly to their desktop applications immediately following each night's CARS processing.

- Automated PMIS to CIPPS Batch Interface – Select information entered into PMIS will be captured in a batch file that will then be uploaded into CIPPS on a nightly basis to populate fields common to the two systems. We are trying to create a method similar to the BES to CIPPS update to pass PMIS changes to CIPPS reducing duplicate data entry.
- W-2s to Payline – Employees will be able to access their personal W2 information from Payline in the same manner they currently access pay stub information. Employees will have the ability to view and print a facsimile of their W-2 from within Payline.

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- **SSN/Privacy** - This is a feasibility study to determine the efficiency and impact of moving away from the use of SSN (social security number) as the employee number. This project includes the identification of all CIPPS programs that use a modified version of the employee number to fulfill reporting need for the SSN.

### **VITA Transition**

Significant effort and resources will continue to be devoted to ensure a smooth VITA transition. Issues include managing the planned increase in agency IT operating costs, clear delineation and efficient operation of VITA IT "infrastructure" responsibilities and establishing a functional working relationship with the new IT Investment Board in context of DOA's statewide disbursement control and financial management system responsibilities. Efforts will be exerted towards focusing VITA on improving their COOP recovery turnaround time guarantees. Some thought and resources (comprehensive in scope, long-term in vision, similar to the Tax Partnership) need to go into developing a future planning framework governing development of a statewide ERP system to replace aging (20 year old) legacy financial systems.

### **Improve eVA and SPCC Compatibility**

Strengthen the coordination and compatibility between the Small Purchase Charge Card program and eVA. Past coordination efforts have focused on vendor acceptance. Additional effort will focus on improving agency processes to leverage the benefits of both systems (e.g., agency "ghost" cards) to expand utilization and facilitate automated reconciliation and approval processing. However, significant resources will be required to successfully transition purchase card and travel card activities to the new charge card vendor.

### **Improve Oversight of Travel Charge Card Program**

Improve monitoring, oversight and training for the Travel Charge Card program. This program serves a useful purpose in reducing heavy reliance on travel advances thereby providing better management of Commonwealth financial resources.

### **Reduction of Paper**

Completing the Reportline (web report warehouse) rollout and eliminating the centralized printing of reports at DOA was a major task over the last year. To ensure overall statewide savings are achieved (i.e., cost reduction, not cost transfer to agencies), agency training and facilitation will encourage maximum use of online reports within agency business processes in order to minimize the inclination for agencies to merely absorb what used to be central printing responsibilities.

- Reportline roll-out for most agencies receiving printed reports was completed by June 30, 2005. The remaining agencies and localities receiving reports from DOA will be implemented next. Eventually, we want to open up the availability of Reportline to all agencies all reports.

### **Virginia Ranking and Trends**

The Government Financial Officers Association has granted the Statewide CAFR the Certification for excellence in Financial Reporting for the past 18 years. Virginia's PAFR (Popular Annual Financial Report) also won the award for the 10<sup>th</sup> consecutive year.

The Commonwealth has achieved an unqualified audit opinion for 18 of the last 18 years.

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The Commonwealth purchase card programs are among the largest in the country.

### **Customer Trends and Coverage**

DOA's customers are primarily those served by our major systems (i.e. state agencies or localities). In addition to our primary customers, DOA serves the citizens of the Commonwealth by preparing both the Comprehensive Annual Financial Report (CAFR) and the Virginia Financial Perspective, a report to the citizens of the Commonwealth otherwise known as the "popular report".

### **Future Direction, Expectations, and Priorities**

Implement GASBS 41, 42, 43, 44, 45, & 46 during the next three years. In particular, ensure the OPEB actuarial studies are conducted and associated policy decisions made in support of GASBS 45. Proper implementation of these statements is critical to maintaining an unqualified audit opinion and maintaining the certificate of excellence in financial reporting.

Publish and train agencies on a comprehensive Enterprise Risk Management directive providing state agencies with tools and information regarding overall risk management including adequate management of internal controls.

DOA will provide leadership and direction with regards to the proposed PPEA Enterprise Resource Planning system to replace CARS, CIPPS, and FAACS.

Ensure a smooth transition between the current American Express charge card program to the new MasterCard platform.

### **Impediments**

DOA currently is having a very difficult time hiring adequate professional level staff when vacancies occur. This is particularly true in the area of accounting personnel, which is especially critical for the Department of Accounts since many of our positions fall into this area. This general shortage of accounting personnel is due in part to the enactment of Sarbanes/Oxley (SOX) legislation in the private sector. Since the enactment of SOX private sector firms have placed increased emphasis on ensuring that internal controls are in place. This has pushed accounting and auditing salaries higher and increase the demand for professional accounting staff. Adding to the difficulty is the general difficulty attracting qualified professionals to government employment. This is exacerbated by recent layoffs and salary stagnation.

DOA's has an aging workforce. 23% of DOA's staff have enough years and age to be able to retire within 5 years. Another 7% are over the age of 60. These facts will require a succession/workforce planning effort in the next year to ensure that DOA can manage the loss of this vast amount of experience.

## **Agency Background Information**

### **Statutory Authority**

DOA's primary statutory authority resides in § 2.2-800 - § 2.2-816. Other statutory authority is included in § 2.2-1512, § 2.2-2825, and § 2.2-1819-1825. The areas listed below are other federally mandated tasks required of the Department of Accounts.

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### Cash Management Improvement Act (CMIA) of 1990

This federal law was ostensibly imposed to bring equity to intergovernmental cash flows by establishing federal/state agreements regulating interest payment responsibilities whenever the movement of federal aid payments to the states resulted in “interest float” benefits either to the federal government or to a state. In practice the federal government has unilateral rule-making authority over the CMIA which it has used to its advantage in structuring the program. Virginia must conduct detailed analyses to minimize the interest liability owed to the federal government each year.

### Indirect Cost

The Appropriation Act, §4-2.03, requires that DOA develop procedures for a federal Statewide Indirect Cost Allocation Plan (SICAP) which is used to recover allowable indirect and overhead costs for agencies receiving federal grants and contracts. This plan must be developed and audited by the federal government before indirect costs can be recovered. Approval of the plan also allows the purchase of goods and services with federal grant funds from activities accounted for in the Commonwealth’s Internal Service Funds. The process of developing the federal SICAP, along with the companion “full costing” SICAP for general fund recoveries from non-general funded agencies and programs, requires a considerable commitment of resources on the part of DOA.

### Statewide Single Audit Report

OMB Circular A-133, “Audits of States, Local governments and Non-Profit Organizations” was revised in June 1997. This revision requires that the auditee prepare the “Schedule of Resolution of Prior Year Audit Findings” and the “Schedule of Expenditures of Federal Awards” sections of the Statewide Single Audit Report. The Department of Accounts prepares these statements for the Commonwealth as a whole, in the role of auditee.

### State Payroll Operations

Internal Revenue Service regulations dictate tax withholding requirements associated with wage payments and benefits. Compliance with these regulations is required by central and agency users of the central payroll system in order to avoid payroll and tax errors that could result in significant potential IRS penalties and disruption of employee personal tax elections.

### Financial Reporting

This mandate is unusual in that a nonprofit corporation, the Governmental Accounting Standards Board (GASB) promulgates it, rather than a government. GASB is the public sector counterpart to the Financial Accounting Standards Board (FASB) which establishes generally accepted accounting principals for private sector entities. Virginia must comply with GASB standards in order to obtain an unqualified opinion on its audited financial statements. There are presently 47 GASB statements in effect. Complying with GASB standards is complex and resource intensive. However, the benefit of unqualified audit opinions to the Commonwealth’s bond ratings and general standing in the national financial community is worth the investment.

### Customer Base:

Customer Description	Served	Potential
Bond Ratings Agencies	3	3

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Citizens of the Commonwealth	7,500,000	7,500,000
Commonwealth Agencies and Institutions	230	230
Commonwealth Employees	120,000	120,000
Commonwealth goods and service providers	0	0
Legislative Branch Members and Employees	200	200
Local Political Subdivisions	325	325

#### **Anticipated Changes In Agency Customer Base:**

Most of our customer base is legislatively driven, Localities, State Agencies and its employees. Changes in legislation can affect our customer base.

#### **Agency Products and Services:**

##### **Current Products and Services**

DOA maintains the primary central accounting, payroll and fixed asset systems for the Commonwealth. Through these systems DOA processes disbursements, payroll, and financial reports in accordance with State law. DOA promulgates accounting policy in the Commonwealth by issuing the Commonwealth Accounting Policies and Procedures manual (CAPP). DOA produces the Comprehensive Annual Financial Report (CAFR), a Preliminary Annual Financial Report, and a popular annual report which report on the financial condition of the Commonwealth.

##### **Factors Impacting Agency Products and Services**

New Government Accounting Standards Board statements may be issued. These statements must be implemented in order for Virginia's CAFR to continue to receive an unqualified audit opinion.

##### **Anticipated Changes in Agency Products and Services**

We anticipate enhancements to our systems identified through analysis and enhancements which will be required to meet new Code or accounting requirements.

#### **Agency Financial Resources Summary:**

DOA is mostly funded with General Fund dollars. DOA's FY2006 is \$8.5 million. DOA has a MEL of 97.

	<b><u>Fiscal Year 2007</u></b>		<b><u>Fiscal Year 2008</u></b>	
	<b>General Fund</b>	<b>Nongeneral Fund</b>	<b>General Fund</b>	<b>Nongeneral Fund</b>
<b>Base Budget</b>	\$8,546,452	\$42,000	\$8,546,452	\$42,000
<b>Changes to Base</b>	\$787,249	\$291,665	\$787,249	\$291,665
<b>AGENCY TOTAL</b>	<b>\$9,333,701</b>	<b>\$333,665</b>	<b>\$9,333,701</b>	<b>\$333,665</b>

#### **Agency Human Resources Summary:**

##### **Human Resources Overview**

DOA has a maximum employment level of 97. As of July, 2005, there were 91 filled positions and 6 vacant positions. We are currently recruiting for 3 of these and in process of establishing and

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recruiting for 3 more. DOA occasionally utilizes P-14 to supplement existing staff. As of July, 2005 there are 3 P-14's working at DOA. DOA utilizes approximately 15 role codes. DOA has 23 CPA's on staff and 16 information technology staff. All staff are located in Richmond in the Monroe Building.

### **Full-Time Equivalent (FTE) Position Summary**

Effective Date: .... 7/1/2005  
Total Authorized Position level ..... 97  
Vacant Positions ..... 6  
    Non-Classified ..... 0  
    Full-Time Classified (Filled) ... 91  
    Part-Time Classified (Filled) ... 0  
    Faculty (Filled) ..... 0  
Wage ..... 3  
Contract Employees ..... 0  
Total Human Resource Level ..... **94**

### **Factors Impacting Human Resources**

DOA's workforce is aging. 11 employees have more than 30 years of service and are over 50 and therefore eligible to retire. Another 11 are within 5 years of joining the 30 year and over 50 group. In addition, there are 6 employees who are over 60 but do not have 30 years of service but may be leaving the workforce in the near future. This group near retirement makes up 30% of our workforce. Each area of the agency will have to monitor the plans for their staff and do succession planning well in advance of their departure.

DOA is made up of many staff who are in professional accounting roles. Because of the increased emphasis on internal controls due to Sarbanes/Oxley in the private sector, it has become increasingly difficult to recruit experienced, professional accountants. In addition it is becoming increasingly difficult to retain staff because salaries in the non-governmental sector have increased and state salaries have not.

### **Anticipated Changes in Human Resources**

DOA plans to fully utilize the authorized positions plus the positions funded in the addenda.

### **Agency Information Technology Summary:**

#### **Current State / Issues**

During the strategic planning process the following issues were identified as potential areas of concern;

DOA currently uses an outdated and increasingly hard to support electronic publishing system. This system also utilizes Xerox printers which are old and in need of replacement.

DOA has met existing disaster-planning requirements. However, the 3-5 day system downtime (i.e. switch-over timeframe to back-up VITA site) currently embedded in the VITA disaster recovery and business continuity plan is inadequate.



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The increasing use of the WEB to provide information creates increased security risk exposure. This increased risk exposure requires additional security measures to insure the data is protected.

VITA's implementation of a shared rate model may have a significant impact on the agency's budget. The details of this are currently under review and have not been approved for implementation.

The ERP and Infrastructure PPEA proposals under review could significantly impact the agency if the decision is made to proceed.

### Factor Impacting Information Technology

Legislation is always a concern for information technology resources due to the potential system enhancements and timeframes required to meet the new requirements.

VITA's new project management and strategic planning requirements have increased the time required to manage and implement new projects.

The increasing volume of requests for information and participation in other information technology projects for other agencies is causing a negative impact on the performance of normal operations.

The VITA transformation phase is and will continue to consume resources to participate in assessments and project planning to move VITA forward. The consolidation efforts of this phase will cause an increased number of projects requiring agency resources which will impact other agency related projects.

### Anticipated Changes / Desired State

The department has developed and implemented a Web application for report delivery and viewing which will reduce the print volume and the need for high volume printers. The system needs to be fully implemented to eliminate all agency print reducing the need for two high volume printers. The color print operations could be accomplished by contracting it out or with a reduced capacity in house color printer.

A software product, (i.e. Solimar, BARR, etc.) needs to be evaluated and implemented to replace the current Xerox Fibre Gateway system.

### Agency Information Technology Investments:

	<u>Cost - Fiscal Year 2007</u>		<u>Cost - Fiscal Year 2008</u>	
	<b>General Fund</b>	<b>Nongeneral Fund</b>	<b>General Fund</b>	<b>Nongeneral Fund</b>
Major IT Projects	\$62,500	\$0	\$0	\$0
Non-Major IT Projects	\$0	\$0	\$0	\$0
Major IT Procurements	\$0	\$0	\$0	\$0
Non-Major IT Procurements	\$0	\$0	\$0	\$0
<b>Totals</b>	<b>\$62,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# Agency Strategic Plan

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### Agency Goals

#### **Goal #1:**

*Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.*

##### **Goal Summary and Alignment:**

DOA provides a uniform system of accounting, financial reporting and internal controls and provides sound financial information on which financial and budgeting decisions can be made. DOA management recognizes the increasing value of information generation as a service. Supporting our customers by operating the statewide general ledger system (CARS), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS) is a key part of DOA's mission. Consistently maintaining a 95% up time is crucial to meeting the need of our agency customers. This goal aligns well with the agency mission statement because by maintaining the integrity of the accounting and payroll systems, the financial data is reliable and protected.

##### **Statewide Goals Supported by Goal #1**

- Be recognized as the best-managed state in the nation.

#### **Goal #2:**

*Strengthen oversight and improve agency internal controls.*

##### **Goal Summary and Alignment:**

Federal legislation called Sarbanes/Oxley was enacted for publicly traded private companies in response to frauds that were committed by such firms as Enron. Sarbanes/Oxley requires an overall strengthening of internal controls to prevent such frauds. Although it does not directly apply to the governmental sector, it is considered to contain best practices. Management has always been responsible for implementing a strong set of internal controls and this goal intends to strengthen internal controls in the Commonwealth. DOA is enhancing vigilance over internal controls by:

- Providing training to enhance knowledge of fiscal officers in Virginia.
- Publishing and training agencies on an internal control directive that highlights the Virginia policy, risk assessment requirements and tools with which to assist agencies in carrying out internal control requirements.
- Implementing a recovery audit program by hiring a firm that identifies duplicate or erroneous payments made by state agencies.

##### **Statewide Goals Supported by Goal #2**

- Be recognized as the best-managed state in the nation.

#### **Goal #3:**

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*Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).*

### **Goal Summary and Alignment:**

The achievement of an unqualified opinion on the financial statements and the receipt of the GFOA Certificate of Excellence in Financial Reporting demonstrate excellence in financial reporting and enhance the integrity of the financial information of the Commonwealth. This supports the mission of the agency directly and is the outcome and culmination of all financial management activities the agency performs.

### **Statewide Goals Supported by Goal #3**

- Be recognized as the best-managed state in the nation.

### **Goal #4:**

*Coordinate and develop enterprise systems.*

### **Goal Summary and Alignment:**

Manage planned increases in agency IT operating costs, control the delineation of VITA IT infrastructure responsibilities, establishing a functional governance and operating relationship with the IT Investment Board in context of DOA's statewide disbursement control and financial management system responsibilities.

### **Statewide Goals Supported by Goal #4**

- Be recognized as the best-managed state in the nation.

### **Goal #5:**

*Retain and develop staff.*

### **Goal Summary and Alignment:**

Enhance DOA's internal training, compensation, and recognition programs. This is intended to encourage retention of top performers and to provide the means to improve their performance further. Recognition of significant accomplishments is intended to reward and encourage employees. The ability to pay in accordance with market trends and with recognition of the skills required to accomplish the work will enhance the ability to retain staff.

### **Statewide Goals Supported by Goal #5**

- Be recognized as the best-managed state in the nation.  
*This goal is intended to retain top talent by enhancing DOA's internal training, compensation, and recognition programs.*

### **Goal #6:**

*Efficiently and effectively operate service bureaus to serve the payroll and accounting needs of agencies participating.*

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### **Goal Summary and Alignment:**

DOA operates a payroll service bureau serving 37 agencies and an accounting/accounts payable service bureau serving 5 agencies in addition to agency 151. The purpose of the service bureaus is to provide more reliable and efficient processes with a high degree of professionalism while complying with state accounting and payroll policies and procedures. This goal aligns with the mission of the agency by enhancing the quality of accounting and payroll processing for participating agencies.

### **Statewide Goals Supported by Goal #4**

- Be recognized as the best-managed state in the nation.